RESEARCH HIGHLIGHT

May 2009 Socio-economic Series 09-015

PerthWorks – A Small Town Sustainable Neighbourhood Project

INTRODUCTION

PerthWorks is a project of the Town of Perth (population 6,000) located in Eastern Ontario, an hour's drive west of Ottawa. The project goal was to create a 24-unit infill neighbourhood project that would reflect sustainable and new urbanism principles on a one-hectare remediated brownfield site, close to both downtown and the main outdoor recreation complex.

See Figure 1 and Figure 2.

The primary challenge for the project was to find a way to entice a development team with experience in sustainable neighbourhoods to take on a project of this nature in a rural community. No local builder/developer had both the required experience with sustainable neighbourhoods and the ability to take on a project which, for them, was large. At the same time, however, it was realized at the outset that, at just one hectare, economies of scale were limited and maybe not enough to attract an experienced developer from a larger centre that would consider the project too small.

As the site was town-owned, a competitive process to sell and develop the site had to be followed. A number of options were considered, and, for various reasons, a decision was made to put together and issue a Request for Proposals (RFP) for one development team to develop the entire site.

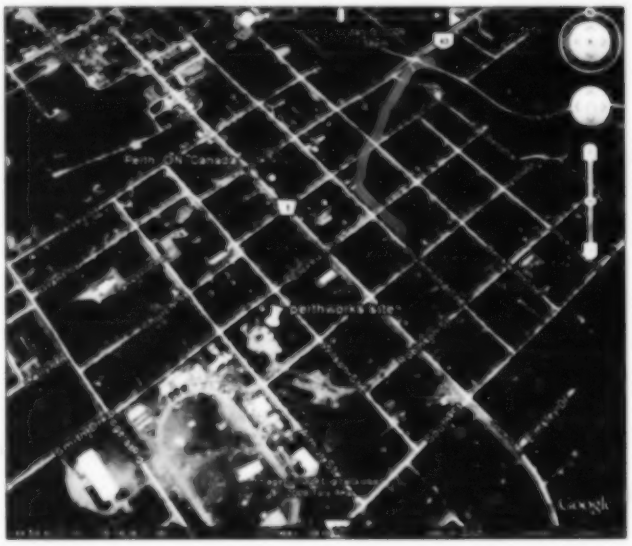

Figure 1 PerthWorks Site Location

Figure 2 Gore (main) Street

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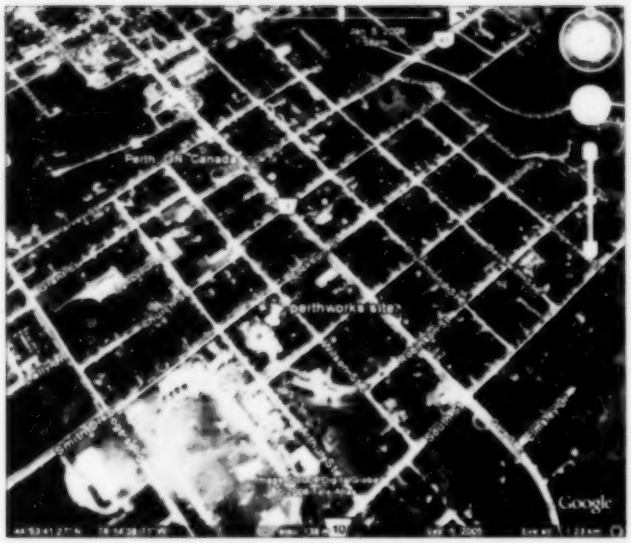

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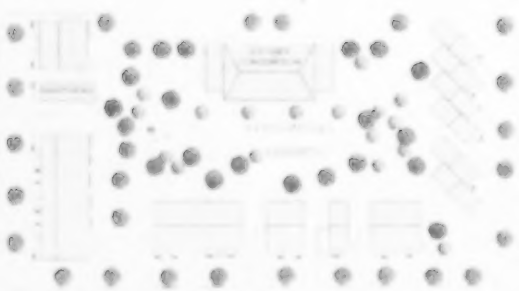

The key to the project then became the preparation of an RFP that provided potential bidders with:

- a clear picture of what Town Council, staff and residents were looking for;
- a simple, transparent and expedited development process;
- financial incentives tied to sustainable development criteria.

To develop this RFP, the Town contracted a local consulting team headed by architect Geoff Hodgins. Funding was provided by the Federation of Canadian Municipalities, Canada Mortgage and Housing Corporation and the Town of Perth.

PROVIDING A VISION

All too often, developers and staff have differing visions as to what is appropriate for a site, and this leads to friction, delays, added expenses and an "us-versus-them" mentality. To avoid this, the study team attempted to provide a clear vision of what Council, staff and the community envisioned as appropriate for the PerthWorks site. This involved the following:

A. *Initial Brainstorming Meeting* – Key professionals and interested individuals met to come up with a list of specific components and principles appropriate for the project and site.

B. *Potential Purchaser Scoping Session* – This involved bringing together some 20 families that had expressed an interest in living in a "sustainable" neighbourhood in Perth. They were asked to provide their input based on a long list of potential sustainable features and attributes and to indicate what was important to them.

C. *Design Charrette* – Some 20 people, including architects, landscape architects, planners, consultants, staff, councilors and area residents volunteered their time for a half-day design charrette. Working in four tables, they came up with different designs that embraced the general principles and reflected the design parameters provided.

See Figure 3.

Figure 3 Design Charrette

D. *Concept Plan* – The four designs from the charrette were then integrated by the study team's architect into a concept plan for the site

See Figure 4.

E. *Design Criteria* - The design team then worked on specific design criteria that bidders would be expected to meet. The key was to ensure that the design criteria were sufficiently ambitious to ensure that the development would indeed reflect innovative sustainable principles, but not so ambitious that no one would bid. These criteria also became a key component of the RFP evaluation process.

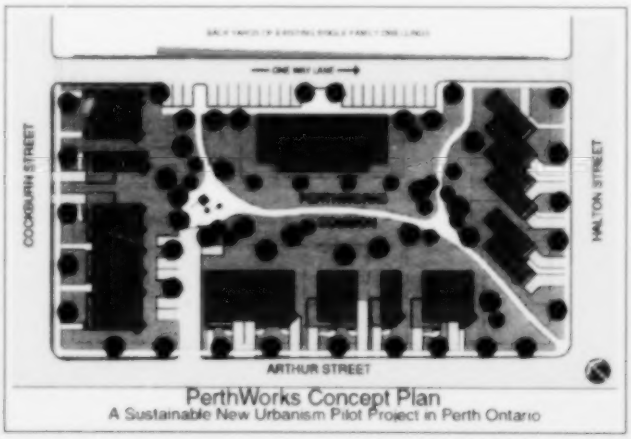

Figure 4 Concept Plan

A CLEAR AND EXPEDITED PROCESS

Long timelines, the substantial expense associated with the planning approvals process and a lack of clarity up-front regarding the process are common complaints from the development community. While the process itself is largely set by provincial and municipal regulations and bylaws, the study team took steps to ensure the developer knew up-front exactly what was expected and was given something close to an "off-the-shelf" option (the concept plan) they could run with if they wished. The two key components of the PerthWorks process in this regard were:

A. *Site Specific Zoning* – The town planner prepared site specific zoning for the site, based on the concept plan, with relief provided from a number of the conventional R4 requirements.

B. *A Clear Outline of the Development Process* – An appendix was prepared by the town planner that clearly outlined the various steps in the planning process, as well as associated fees and approximate timelines.

FINANCIAL INCENTIVES

Providing financial incentives for a municipality sets a potential precedent. It was important, therefore, to ensure that incentives were linked to the advantages the town would derive from sustainable new urbanism such as:

- fewer infrastructure requirements;
- greater density;
- attracting a type of resident (and therefore potential taxpayer) whose needs are currently not being met;
- creating a true sense of neighbourhood, with all of the attendant internal support systems;
- showing leadership in this emerging field.

In terms of specific financial incentives, early discussions with developers revealed that one of their key problems was finding the funds to cover all the up-front costs associated with the land purchase and the planning process. This is typically very difficult for the vast majority of developers, especially smaller ones.

From the Town's standpoint, timing and cash flow issues are less crucial, as long as it eventually gets the money that is owed. Deferring payments and fees is therefore a relatively simple and low-cost incentive they can offer developers.

As part of the PerthWorks RFP, the Town offered the following financial incentives:

- payment for the property could be spread out over two years, with 5 equal payments made every six months;
- 50% of the development charges would be deferred until occupancy permits are requested;
- there would be a 10% rebate on development charges, assuming criteria are met.

SELLING THE RFP

An often overlooked step with respect to innovative municipal RFPs is selling the RFP. Ads in newspapers and trade journals would be highly unlikely to attract responses for a project such as this, especially from out of town developers. Good developers typically have far more potential projects ahead of them than they can handle and are not actively looking for new projects outside of their home community. Accordingly, the study team:

- tracked down the appropriate contact persons at as many potentially "green" developers as possible in the Ottawa/Kingston/Peterborough area;
- created a two-page executive summary of the RFP to sell developers on why they should consider this project over all the other ones in their in-basket;
- followed up or at least tried to follow-up with a phone call and an email with each contact;
- hosted an on-site developer open house to detail the project and respond to and clarify any further questions.

See Figure 5.

Figure 5 Developer Open House

RESULTS

The first RFP was issued in December of 2006, and although it attracted only one bidder, it was exactly the sort of development team the Town was hoping to attract – a consortium of an architect, a green building professional and a conventional developer/builder. Negotiations were held up by site remediation details. Unfortunately, by the time everyone was ready to proceed, one of the members of the bidding team experienced a serious health issue which forced them to withdraw.

Further discussions with developers eventually provided a new lead – one of the previously contacted developers had undergone a management change and was now very keen to bid. They indicated that the previous RFP was fine the way it was, so the Town changed the date and reissued the RFP. However, in spite of the interest expressed, there were no responses.

Discussions are currently going on with potential developers to take on portions of the PerthWorks site, with the hope that dividing it up into smaller components will make it more manageable. The Town is also looking into the issue of doing some of the servicing in exchange for a higher purchase price. The intention is still to have design criteria and overall concepts and principles outlined in the RFPs apply to any and all components on the site.

It is worth noting that some "sustainable" development has already come to the PerthWorks site, thanks to the Advanced Housing Program of the Perth Campus of Algonquin College. They built a "Smart Home" on campus, and prior to the first RFP, it was sold to one of the families that attended the Potential Purchaser Scoping Session. The 1500 sq. ft.-house was moved to a small lot severed from the PerthWorks site where it was finished and inhabited. It was also used as the venue for the developer open house.

After the withdrawal of the bidder from the first RFP process, the Town continued to work with Algonquin College, this time to build an innovative duplex on another severed lot next to the Smart Home. Two other families from the scoping session became the owners of this second project.

See Figure 6.

LESSONS LEARNED

Any municipality attempting to entice a developer into creating a sustainable neighbourhood on a parcel of municipally-owned land can learn a number of lessons from the PerthWorks project and process. Many of these lessons have "put yourself in the developers shoes" as a common thread. Remember that they have to put up the money and take a gamble on a non-conventional neighbourhood form, and then have to sell the resulting product and make a profit.

Figure 6 Algonquin Homes on Cockburn Street

Some of the most important of lessons from PerthWorks appear below:

- *Makes sure you have a good site.* It should be close to downtown and recreation facilities within walking distance to encourage urban density.
- *Make sure town staff can commit enough time to the project.* Planning staff are typically swamped, and in spite of their best intentions, may not be able to allocate sufficient time to maintain serious forward momentum. Developers may interpret that as a lack of commitment and lose inte st
- *Size matters.* PerthWorks was caught in a twilight zone of sorts – it was too big for innovative local builders/developers but too small to give the efficiencies of scale needed to generate a strong business plan for large outside developers.
- *Consider alternatives to a single RFP.* You may have more success attracting bidders and producing greater diversity by dividing the site into different parcels that can be bid on together or individually.
- *Consider an Expression of Interest.* Under this approach, you would look for developers with relevant experience and a commitment to the project principles and then work with the selected developer to achieve mutually acceptable goals.
- *Sell the project.* You may think it is a great idea, but it is your idea, not the developers', and they will not embrace it unless you work hard to explain and sell it to them.
- *Have patience.* Like anything new, many steps will take much longer than expected, and unanticipated setbacks will happen. Keep your eye on the long term and the big picture.

FOR MORE INFORMATION

www.perthworks.com

This site includes many great resources, including:

- PerthWorks User Guide
- PerthWorks RFP (complete with all its appendices)

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